# THE EFFECT OF SUKUK FINANCING AND CAPITAL STRUCTURE ON FINANCIAL PERFORMANCE AND CORPORATE VALUE: A STUDY OF SUKUK ISSUER LISTED IN INDONESIAN STOCK EXCHANGE

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**ABSTRACT**

This research aims to understand what factors will actually affect the corporate to increased profitability and corporate value, especially for the corporate which issuing syariah bonds or sukuk. In particular, the influence of Sukuk bonds funding integrated with the capital structure to the corporate financial performance and value. This research used panel data that processed by Partial Least Square (PLS) method to see the influence of Sukuk funding and capital structure on liquidity, financial performance, and corporate value. Based on this research, it found that there are significant and negative influences of Sukuk funding, to the corporate value, which leads to the conclusion that especially for investors in Indonesia, has a negative opinion and avoided investing in sukuk issuer, which is most likely due to the investor avoiding Negative impact on the corporate dividend distribution. The results of this research are expected to give a new point of view about sukuk funding in Indonesia especially for academics, investors, and government. Practically, the result of this research show that corporate need to make different action and decition between sukuk bonds and conventional financing.

Keywords: Sukuk funding, capital structure, financial performance, liquidity, corporate value, PLS.

## INTRODUCTION

Sharia bonds or sukuk are known in Islam since medieval times, where Muslims use them in the context of international trade. Sukuk is the plural form of sakk that means a certificate or note. At that time, traders used Sukuk as a document indicating financial obligations arising from trading efforts and other commercial assets.

In Indonesia, Sukuk was published for the first time by PT. Indosat in 2002 namely Sukuk Mudharabah for nominal value of IDR. 175 billion. Followed by Muamalat Indonesia Bank that published Sukuk Mudharabah in 2003 for the value of IDR. 200 billion, and this was the first sharia banking institution to publish Sukuk. Then followed by PT. Matahari Putra Prima in the year 2004. PT. PLN issued Sukuk Ijarah PLN 1 in 2006 for the value of IDR 200 billion. The sukuk was published by the corporation, so it was named Sukuk Corporation. The sukuk that published by government began to be introduced in 2008 with emissions worth IDR 4,699.70 billion. The of government Sukuk growth rapidly reached 46% in the three years since its first appearance. Until 2015, it has been published as many as 87 corporations Sukuk with total emissions worth IDR 16,114.0 billion and in 2016 to IDR 20.425.10 billion.

Companies in Indonesia who need funds through the issuance of sukuk have got a reference and learn from the experience of the predecessor. Companies can expect the addition of capital from Sukuk can affect the financial performance, liquidity and value of the corporate.

Information on sharia bonds issuance will be responded by investors. If the investor actually utilizes such information in their investment decision making, then the announcement will have an impact on the change in the stock price and the activity of volume trading activity. Research conducted by Mujahid and Tettet (2010) Examine the analysis of the influence of Sharia bonds issuance represented by the value and rating of Sharia bonds (sukuk) against cumulative abnormal return shares in Indonesia Stock Exchange from 2002 – 2009. This research found that the value and rating of issuance of Sharia bonds (sukuk), both simultaneously and partially have no effect on the cumulative return of the shares.

Furthermore, the interesting thing about Sharia bonds as part of a corporate capital structure is the phenomenon on the influence of the capital structure, with the growing amount of debt used by a corporate that will provide Profit or otherwise, the increase in debt of a corporate will result in potential losses to the corporate, even resulting in bankruptcy in the long term. Internationally there have been many seminars and symposium questioning the matter, and generally known by a phenomenal question, "How much Debt is too much?"

It has been created gap between three conflicting opinions regarding the impact or influence of the magnitude of the capital structure to the corporate performance or profitability.

Some researchers argue that the use of high capital structures will increase the value of the corporate. Companies that use a high capital structure, will reflect the corporate has a high growth of the corporate (Ni and Yu, (2008); Abor and Biekpe, (2009); Crnigoj and Mranor, (2009), which found that corporate growth has an influence with a direction of positive relationship to the capital structure.) The opinion that the high capital structure will increase the value of this corporate also suggests that companies that use a high capital structure, will reflect the corporate has a low risk (Low and Chen, (2004); Al-Najjar and Taylor, (2008); Morri and Cristanziani, (2009), found risk have negative relationship to the capital structure).

Unlike the first opinion, there is a second opinion that has belief that increasing the structure of capital has not relevant impact on the corporate value, and this opinion is known as capital structure irrelevant theory, with the figure The main is Modigliani and Miller (1958). This opinions reveals in the perfect market, the capital structures at any level does not affect the value of the corporate. The notion of Modigliani and Miller (1958) was reinforced by several studies that found indications of capital structure has no influence on the value of the corporate, among others, research conducted by K. Totala (2011) mentions capital structure Has no effect on shareholder and market capitalization revenues, but it is very important to know by a corporate about the corporate capital structure in order to reduce or avoid the risks that occur. The corporate financial research that conducted by Bhayani (2009) mentioned there is no financial relationship between capital structure and cost of capital.

The third opinion states that higher capital structures lower the corporate value. There are several studies that have argued that the capital structure has a negative effect on the corporate value. Eriotis et al (2007); Karadeniz et al. (2009), found that corporate growth has a negative influence on capital structure.

Based on the explanation above, it should be done a more profound and specific research on the influence of the way funding sukuk in the corporate and the capital structure to the financial performance, liquidity and value Corporate.

The problems of this study is defined as following:
1. What Is the influence sukuk funding on corporate financial performance?
2. What Is the influence of sukuk funding on corporate value?
3. What is the influence of capital structure on the corporate financial performance?
4. What is the influence of capital structure on corporate value?
5. What is the influence of capital structure on corporate liquidity?
6. What is the impact of liquidity on corporate values?
7. What is the influence of financial performance on corporate values?

The above seven points of interest will be conducted for testing, the corporate that has issued Sukuk bonds, between the years 2014 to 2016.

## LITERATURE REVIEW

### SUKUK AS INSTRUMENT OF SHARIA INVESTMENT

Sharia bonds or sukuk are essentially in common with conventional bonds, with the main difference being the concept of reward and the result of interest as a substitute for a deal, a requirement supporting a transaction i.e. a supporting asset (The underlying Asset) is a certain asset that becomes the basis of publication, the existence of the agreement between the parties, which is based on the Shariah principle.

Related to sukuk, National Sharia Council – *Majelis Ulama Inidonesia (MUI)* has issued a fatwa DSN-MUI No. 7/DSN-MUI/IV/2000 about Mudharabah financing. Fatwa DSN-MUI No. 32/DSN-MUI/IX/2002 about sharia bonds. Fatwa DSN-MUI No. 33/DSN-MUI/2003 about sharia Mudharabah bonds and fatwa DSN-MUI No. 41/DSN-MUI/III/2004 about sharia Ijarah Bonds.

In Fatwa number 33/DSN-MUI/2003 about Mudharabah bonds, it is stated that; Sharia bonds are long-term securities based on the sharia principle issued by the issuer to the sharia bondholders who require the issuer to pay the income to the sharia bondholders in the form of a result, the margin or fee and pay Sharia bonds funds at maturity. As a sharia funding, the success of sukuk issuing could also be influenced by the market condition (A. Dewantoro Marsono, 2017)

While based on the Fatwa of Indonesian Board of ulama Council No. 41/DSN-MUI/III/2004 is asserted about Ijarah Sharia bond, which is bonds based on Akad Ijarah with regard to the Fatwa Indonesia board of Ulama Council number 09/DSN-MUI/IV/2000 on Ijarah payments.

However, sukuk as sharia product needs continuous promotions to increase awareness of Investors. For example, due to limited knowledge about Islamic banking principles, the awareness is relatively low while the number of customers are increasing (Shahrizan Adzham, 2017).

### CAPITAL STRUCTURE

The capital structure can be interpreted as a balancing or comparison between the amount of long-term debt and its own capital (Riyanto, 2008). According to the Kartadinata (2005), the financial structure illustrates the overall arrangement of the balance credits consisting of short-term debts, long-term debts, stock capital and replanted profits. The capital structure is the arrangement or comparison between own capital and long term loans, so the capital structure is part of the financial structure. The small amount of capital structure ratio shows a lot of the number of long-term loans than the capital itself invested in fixed assets used to gain operating profit. The larger the number of capital structure ratios means the growing number of long-term loans, the more a part of profit operations are used to pay a fixed interest expense and the more cash flow used to pay The amount of net profit after tax to be received by the corporate. Capital structure is an important problem for the corporate, because the bad capital structure will have a direct effect on the corporate financial position that ultimately affects the value of the corporate. Mistakes in determining capital structure will have a broad impact. If the corporate is too big in debt use, the fixed burden that the corporate has to bear is getting bigger too. It also means that it will increase the financial risk, which is the risk when the corporate is unable to pay the interest expense or installment of its debts.

The optimal capital structure, which is the capital structure that can minimize the average capital cost and maximize the value of the corporate (Riyanto, 2008). Meanwhile, according to Awat and Muljadi (1995), the optimal capital structure is a capital structure that can maximize the value of the corporate market by minimizing the average cost of capital. Gitman (2000) argues that the capital structure consists of: (a) debt capital, is a characteristic of corporate bond, which is a long-term instrument when corporate borrow a number of funds and corporate Promises to return the loan in the future and on a predetermined period of time. Long term debt usually has payment period that more than one year and is used for business expansion purposes.; (b) Equity capital, which is expected to remain the same for an unspecified period of time. Equity capital consists of prefered stock and common stock equity. A preferred stock is a stock that has a particular preference above the ordinary shareholder, especially in the case of dividend distribution. The preferent stocks have similarities to ordinary shares, i.e. representing equity holdings and published without due date written on the shares and pay dividends.

To measure the extent to which the corporate is financed by debt, one of them can be seen through debt to assets and debt to equity ratio. Debt to total asset ratio measures how large the entire debt is secured by all corporate assets. The creditors prefer a low ratio, as the lower the ratio, the greater the protection against creditor losses in the liquidation event. However, on the other hand, the shareholder prefers a high ratio as it can increase the expected profit. The debt to equity ratio (DER) reflects the amount of proportion between total debt and total shareholder's equity (total capital). Total debt is the total liabilities (both short-term and long-term debt), while the total Shareholder's equity is the total capital of its own (the total paid share capital and retained earnings) owned by the corporate. According to Ang (1997), this ratio shows the composition of the total debt to total equity. The higher the DER shows that the total debt composition is increasingly greater than the total capital itself, thus impacting the corporate burden on outside parties (creditors).

**FINANCIAL PERFORMANCE**

Financial performance is the profit level of the corporate. Without profit, the corporate will not be able to withdraw capital from external sources of funds. Owners, creditors and management give high attention to increase profits because it’s important role in monitoring the corporate development. The higher the corporate profit will be better and able to influence the decision of the corporate capital structure. Financial performance is the ability of the corporate to generate profit in the future and an indicator of the success of the corporate operations. Companies with high profitability will attract investors to invest their capital to obtaining expected high returns. The profitability factor affects the dividend policy, as dividends are part of the net income acquired by the corporate. Therefore, dividends will be distributed when the corporate gains (Puspita, 2009). According to Moekijat (2007), financial performance is a comparason between profit gained by the corporate to the amount of capital embedded in the corporate without differentiated whether the capital is an internal sources (such as stock capital) or external sources (bank credit, bonds) contained in the corporate. For (Soliha & Taswan, 2002), financial performance is a net profit level that can be achieved by the corporate at the time of its operation. Meanwhile, according to Brigham and

Gapenski (2006), profitability is the net result of a number of policies and decisions. That is, financial performance is the end result of a number of corporate management policies and decisions. So it can be extracted that profitability is the ability of a corporate in generating profit through the management activities of the corporate.

**RETURN ON ASSET (ROA)**

Return on Asset (ROA) is the ratio of profitability used to measure the effectiveness of the corporate in generating profits by utilizing its assets. ROA demonstrated the effectiveness of the corporate utilizing funds for corporate interests. higher the ROA then more profitable the corporate relatively. The high or low of profit growth in the next period is highly dependent on the low or height of ROA achieved in the current period.

This return on assets ratio is one of the profitability ratios. This ratio can be used to measure how much profit can be gained from all used assets, which means it relates to investment decisions. Corporate that are able to produce high ROA have high opportunities to increase their own capital growth, because of profit generated is likely to be replanted within the corporate in the form of retained earnings. The positive Return on assets (ROA) shows that the invested capital in the overall assets used for the corporate operations is able to provide profit to the corporate, otherwise the negative ROA showed that of the overall assets That is used for the operation of the corporate is not able to provide profit for companies that eventually the corporate will suffer losses so that the growth of capital itself will decline. This ratio is the most important ratio among existing range ratios. The high value of ROA will indicate that the corporate is able to make a profit. Investors will love the corporate with a high value of ROA, because the corporate with the high value of ROA is able to produce greater profit rate than the corporate with low ROA. Wahidahwati (2002) found that higher profitability could be predicted to produce higher dividends.

Jensen (2006) reveals that the higher the profitability of the corporate, the higher the cash flow in the corporate and the expected corporate will pay a higher dividend. Under certain conditions, the corporate policy changes, resulting in increased profitability followed by increased dividend payments and in such conditions the profitability does not fully reflect the determination of the dividend payment. According to Syamsudin (2000), return on assets is measuring the overall ability of the corporate in generating profits with the total amount of assets available within the corporate. Husnan and Pudjiastuti (2004) stated that return on assets shows how much net profit can be gained from all the corporate wealth. Sundjaja and Barlian (2002) argue that return on assets is the overall measure of the effectiveness of management in generating profits with available assets.

**RETURN ON EQUITY (ROE)**

According to Sofyan (2007), financial performance illustrates the ability of the corporate to gain profit through all existing capabilities and resources such as sales activities, cash, capital, number of employees, the number of branches and so on. The ratio of financial performance describing the corporate ability to generate profit is also called operating ratio. The profit that will be achieved from the investment to be implanted is the main consideration for a corporate in the framework of its business development. In addition, in connection with the problem of uncertainty of the condition that will be faced, the amount of investment invested should be taken into account in the retrieval of the needs of funds.

According to Sartono (2001), ROE is the return of the result or the amount of equity expressed as a parameter and is acquired on investment in the corporate ordinary shares for a certain period of time. According to Ang (1997), ROE uses its own capital to generate profit or net profit. The magnitude of ROE is strongly influenced by the amount of profit gained by the corporate; The higher the profit gained, the more the ROE will increase. ROE is the ratio of the income after tax to the total capital (equity) derived from the deposit of the owner, profit is not shared and other reserves owned by the corporate.

## NET PROFIT MARGIN

According to Syamsudin (2000), net profit margin (NPM) is a comperation ratio between net profit, ie sales after deducting with the entire expenses including tax, compared to sales. Halim and Sarwoko (1999) stated that the net profit margin is a comparison between net profit (profit after cost of Bungan and tax/EAT) with sales. Later Husnan and Pudjiastuti (2004) stated that the ratio measured how much operational profit was obtained from each sales dollar. Sundjaja and Barlian (2002) explained that net profit margin is the percentage size of each remaining sales result after deducting all costs and expenses, including interest and taxes. Later Van Horne and Wachowicz (2012) argued that the net profit margin was a measure of the profitability of sales after taking into account all costs and income taxes. From some of these understandings it appears that the net profit margin is the ratio between net profit after tax compared to the amount of sales.

## LIQUIDITY

Liquidity in general can be interpreted as a level of ability of a company to pay its debts due date (cashmere, 2008). Liquidity is also defined as the ability of a corporate to fulfill its financial obligations in the short term or to be paid immediately (Mamduh, 2004). Companies that have the ability to pay those short-term debts, are referred to as liquid companies.

According to Ridwan (2004; 134) The liquidity of the corporate, showing the ability to pay short-term financial obligations on time. The basic measurement of liquidity, namely: Current Ratio is a liquidity instrument that obtained by dividing the current assets with current liability.

## CORPORATE VALUE (FIRM VALUE)

Pinches (2006) defines the corporate value as a function of stockholders and bondholders claims on the corporate. Market corporate value equal to the total of the market value of the stocks and the market value of bond (and other debts)., according to Weston and Copeland (2008), The total corporate value is the market value of all corporate financial structure components. From these understandings it can be concluded that the corporate value represents the total value of the stock market, the bonds and debt of the corporate.

For Van Horne (2005) said that corporate value is represented by the market price of the corporate common stock, which, in turn, is a reflection of the firmware's investment, financing and dividend decisions. That is, the value of the corporate is shown by the share price of companies reflecting investment decisions, financing and dividends. For companies that have go public, the corporate value is reflected in its stock price. Stock price is the price that occurs when the stock is traded on the market (Fakhruddin & Hadianto, 2001). The high corporate value will show the corporate prospects in the investor's. In addition, the high value of the corporate also reflects the prosperity of the shareholders, where prosperity is the main goal of every corporate. One way to increase the corporate value is to raise its share price. High share prices make the corporate value also high. Stock price is the price that occurs when the stock is traded on the market (Fakhruddin & Hadianto, 2001). According to Wahyudi et al. (2006), value of the corporate is reflected in its stock price. The market price of the corporate shares formed between the buyer and the seller in the event of a transaction called the corporate market value, because the stock market price is considered a reflection of the value of the real corporate assets. The value of companies formed through indicator of stock market value is strongly influenced by investment opportunities. Investment opportunities can provide a positive signal about the corporate growth in the future, so to increase value of the corporate. If the high share price means that the stock will be attracted by the investor and with increased stock demand causing the corporate value will also increase. The stock price has three values, the value of the book, the nominal value and the market value. The value of books per share is generated from common equity shares with the number of outstanding stocks. The nominal value of the stock is the value listed on the stock sheet, while the market value is formed from the supply and demand agreement. In this case the demand (supply) is the information submitted by the corporate, while the supply (demand) in the form of reaction or action from the Investor (Scott, et al, 1997). Weston and Brigham (2004) stated that the market price is the price at which is a stock sells in the market. That is, the stock market price is the price at which the stock is sold in the market.

The corporate value is often measured by Price to book value (Ahmed and Nanda, 2004). Price to book value can be interpreted as a result of a comparison between the stock price and the book value per share. According to Ang (1997), PBV is a market ratio used to measure the performance of the stock market price to the book value. For Brigham & Gapenski (2006), price to book value is a comparison between the stock price and the value of the book per share. Book value per share is the ratio of capital to the number of shares outstanding. Price to book value is a ratio that indicates whether the stock price is above the market price (Overvalue) or below the market price (undervalue), so that with this ratio PBV can be assessed how well the market assesses a corporate. For companies that go well, generally this ratio is above one, indicating that the value of the stock market is greater than the value of the book. The higher the ratio means the higher the market value of its shares to the value of the book.

In addition, in measuring the corporate value can also using the market value. The measuring method that used market value is usually the Tobin's Q . Tobin's Q is a corporate performance measuring tool discovered by James Tobin of Yale University, a Nobel laureate in economics. Tobin's Q or also known as Q ratio measures the growing opportunity of a corporate by comparing the market value of the corporate assets with the replacement value of the corporate assets. Tobin's Q is the ratio of the market value of the corporate assets (measured by the market value of the outstanding shares and the corporate debts) to the replacement cost asset of the corporate (Tobin, 1969). Tobin's Q plays an important role in various financial aspects of the corporate to describe various corporate phenomena; such as cross-sectional differences on investment and diversification of decisions (Jose, Nichols and Steens, 1986: As well as Malkiel, Furstenberg and Watson, 1979), the relationship between managerial aquity ownership and firm value (McConnell and Servaes, 1990) and Morck, Shleifer and Vishny, 1988), the relationship between managerial performance and tender offer gains (Lang, Stulz and Walkling, 1989) and financing, dividend and compesation policies (Smith and Watts, 1992). Nevertheless, the use of Tobin's Q in the analysis of decision making in the corporate is few. This is due to the use of Tobin's Q less familiar and the availability as well as the accuracy of Q data is very limited compared to other financial variables such as beta. (Pruitt and Stephen W, 1994).

## EFFECT OF SUKUK ON FINANCIAL PERFORMANCE

Godlewski et al(2013) who examined the comparisons of sukuk and conventional bonds on the Malaysian stock exchange found that there was no stock market reaction to the issuance of conventional bonds, while on Stock market sukuk issuance reacts significantly negative. Paul et al (2018) examined the influence of the sukuk on the performance of the corporate performing the issuance of sukuk and conventional bonds in Malaysia from 2002 to 2010 found that Sukuk publishing tended to Corporate performance. Sukuk had a significant negative influence on Return On Assets in the third year after publication.

Miftahul Hasanah (2018) in his research resulted in the conclusion that the sukuk negatively affect is not significant to the corporate financial performance. This is similar to the findings of Rozali Haron and Khairunisah Ibrahim (2012) that the sukuk influence negative but not significant to the corporate financial performance. The different findings were concluded by R.A. A Putri and Leo Herlambang (2015) which concluded the sukuk funding was significant to Return on Asset but significant effect on Return on Equity. While research by Atika and Devi Saraswati (2018) found that sukuk funding has no significant effect on Return on Asset. From the explanation above, a hypothesis can be formulated as follows:

H1: there is an influence of sukuk funding to financial performance

**EFFECT OF SUKUK FUNDING ON CORPORATE VALUE**

Sari et al (2017) concluded that the publication of Sukuk has no influence on the reaction of capital market.Research by Hardianti and Widarjono (2017), Savitri (2015) and Sumiati and Azib (2018) found similar conclusion that sukuk funding has no significant effect on the corporate value. Unlike the research by Paul et al (2017) that found there was a negative market reaction to the corporate that published sukuk, while Kuncoro (2016) in his research Concluded the corporate that issued the sukuk listed on the Indonesia Stock Exchange in the period 2011-2014, partly the return of its shares increased. From the explanation above, a hypothesis can be formulated as follows:

H2: there is an influence of sukuk funding to corporate value

**EFFECT OF CAPITAL STRUCTURE ON FINANCIAL PERFORMANCE**

Suardi and Noor (2015) found that the capital structure has a significant negative impact with Return on Equity. The same was discovered by Nassar (2018) and by Velnampy and Niresh (2012) that there is a negative link between the capital structure and the corporate financial performance. Different things were derived from the research by Gharaibeh (2015) and Al Ali (2016) found that capital structure has a significant positive impact on financial performance, Return on Equity and Return on Assets. Similarly, the research by Ur-rehman (2013) found that there is a positive influence on financial leverage on financial performance. From the explanation above, a hypothesis can be formulated as follows:

H3: there is an influence of capital structure to financial performance

**EFFECT OF CAPITAL STRUCTURE ON LIQUIDITY**

Fumani and Moghadam (2015) found that there is a negative relationship between the capital structure and the value of the corporate. Different things were found by Hamidi et al. (2013), the capital structure has a significant positive effect on the corporate value. Similarly, the research finding by Barawareness, et al. (2013) that has positive influence on corporate value. Meanwhile, Chodary (2012) found that the overall capital structure had no significant effect on the corporate value. From the explanation above, a hypothesis can be formulated as follows:

H4: there is an influence of capital structure to liquidity

**EFFECT OF LIQUIDITY ON CORPORATE VALUES**

Putri et al (2015) found liquidity has a significant influence on the corporate value. Similarly, the research of Hanie and Saifi (2017) found that the current ratio has a positive and dominant influence on the price of shares. From the explanation above, a hypothesis can be formulated as follows:

H5: there is an influence of liquidity to corporate value

**EFFECT OF FINANCIAL PERFORMANCE ON CORPORATE VALUES**

Lubis et al (2015) found that Return on Equity has an effect on Price to Book Value. Similarly, the research results of Sudiani and Darmayanti (2015), as well as research by Putri and Ukhriyanti found that profitability of significant effect on the corporate value. From the explanation above, a hypothesis can be formulated as follows:

H6: there is an influence of financial performance to corporate value

## RESEARCH METHODOLOGY

This research aims to analyse the influence of Sukuk funding and capital structure, liquidity to financial performance and its impact on corporate value.

The population in this study was a sukuk publishing corporate that go public on the Indonesia Stock Exchange (IDX) between 2015 and 2017, with the amount of data captured by 14 companies with a 3-year period that resulted in 42 number of observations, So that it has qualified a minimum sample amount to form the normal distribution curve.

In this study the variable involved is Sukuk funding (X1), formed from the indicator Nominal value of Sukuk issuance. The capital structure (X2), is formed from two indicators: debt to equity ratio and debt to assets. Liquidity (Y1), formed from the current ratio indicator. Financial performance (Y2), formed from three indicators: return on assets, return on equity and net profit margin. The corporate value (Y3), is formed from three indicators: Tobin's Q, price to book value and stock return.

The data analysis in this study is a predictive analysis by the method PLS-SEM by using the statistical program SmartPLS version 3.28 which is done on the basis of the research paradigm made in accordance with the research hypothesis. The result of the data processing with this program is a test structural model, which is the overall test model tested in 2 ways, namely the explanation of the variant endogenous variable with a coefficient of determination of R2 (Explanation of target endogenous variable variance), Path coefficient $\beta$ (Beta), and Internal model significance (Inner model path coefficient sizes and significance).

And hypothesis tests conducted by looking at the results of the T value at the 0.05 trust level and the path coefficient (Beta) of each relationship between variables are hypothesized. With a trust rate of 0.05, the hypothesis is expressed as acceptable if the value of $T > 1.96$. Significance with the value of this T is obtained by running bootstripping on the statistical program used.

## RESULTS AND FINDINGS

The following table show the results of outer model test.

Table 1: Outer model loading table

| | Financial performance | liquidity | Corporate value | Capital structure | Sukuk funding |
|---|---|---|---|---|---|
| CR | | 1.000 | | | |
| DER | | | | 0.690 | |
| DR | | | | 0.899 | |
| NPM | 0.768 | | | | |
| ROA | 0.946 | | | | |
| ROE | 0.933 | | | | |
| RS | | | 1.000 | | |
| Sukuk | | | | | 1.000 |

After eliminating the indicators that are not significant and only involving significant indicators, it can be noted that both models PLS have a weight value above 0.50, so this Model has passed the test.

After passing the outer model test, continued by inner model testing. Testing an inner model or structural model is done to see the relationship between the construct, significance value and R-square of the research model. The structural Model was evaluated using R-square for the dependent construct, the Stone-Geisser Q-square test for the predictive relevance and t test as well as the significance of the structural path parameter coefficient.

Table 2: R-SQUARE value table

| | Liquidity | Financial performance | Corporate value |
|---|---|---|---|
| **$R^2$** | 0.589 | 0.659 | 0.283 |

Table 2 shows that the R-square value of the liquidity dependent variable is 58.9%, then for financial performance of 65.9% and the corporate value of 23.8%. The larger the R-square number indicates the larger the independent variable can explain the dependent variable, so the better the structural equation. The significance of the estimated parameters provides information on the relationship between the research variables. In this context, the boundary to reject and accept the proposed hypothesis is above 1,282 for the $p < 0.10$; 1,645 for $P < 0.05$; and 2,326 for $P < 0.01$.

Table 3: Inner Loading hypothesis testing table

| **Hipotesis** | **Beta coefficient** | **T Statistics** | **P Values** | **Hypothesis results** |
|---|---|---|---|---|
| H1 : Sukuk ➧ financial performance | 0.073 | 0.627 | 0.531 | No Significant |
| H2 : Sukuk ➧ corporate value | -0.480 | 4.940 | 0.000 | Negative Significant |
| H3 : capital structure ➧ financial performance | 0.809 | 11.672 | 0.000 | Positive Significant |
| H4 : capital structure ➧ corporate value | 0.215 | 0.799 | 0.425 | No Significant |
| H5 : capital structure ➧ Liquidity | 0.767 | 9.037 | 0.000 | Positive Significant |
| H6 : liquidity ➧ corporate value | 0.149 | 0.343 | 0.732 | No Significant |
| H7 : financial performance ➧ corporate value | -0.408 | 0.928 | 0.354 | No Significant |

Table 3 shows the hypothesis 1 that the P-value is 0.531 > 0.05. This means its loading is not significant at $p > 0.05$ and indicates to fail to reject Ho. So there can be no significant influence of Sukuk funding to the corporate financial performance for three years of observation 2015-2017. This result is inconsistent and does not support the findings of Malik and Sutarti (2015) stating there is a significant negative relationship between the financial burden to the corporate profitability. This result supports the findings of Ardiyanti and Herlambang (2015) stating that the issuance of sukuk Ijarah has no significant effect on the financial performance.

Furthermore, for hypotheses 2 it appears that the Data proves that the T-statistics value between sukuk funding and corporate value is 4,940 is above 1,950 with a P-value of 0.000 < 0.05. This means that the loading is significant at the P of < 0.05 and indicates to reject Ho. So there can be a significant influence of Sukuk funding to the corporate value for three years of observation of 2015-2017. In context, these findings are consistent and support the findings of Klein et al. which mentions that sukuk issuance is inhibiting the corporate growth rate.

Table 3 also proves that T-statistics value of hypothesis 3 is 4,940 that is between capital structure and financial performance, above 1,950 with P-value 0.000 < 0.05. This means that the loading is significant at the P of < 0.05 and indicates to reject Ho. So there can be a significant influence of capital structure to the corporate value for three years of observation of 2015-2017. In context, the findings are contrary to the findings of Brigham & Houston (2001) stating that DER negatively affects ROE, and is also partially different from the results of research done by Velnampy & Niresh (2012).

In table 3, it was also proved that the hypothesis 4 between the capital structure and corporate value has a T-statistics value of 0.799 under 1.950 with P-value 0425 > 0.05. This means its loading is insignificant at p > 0.05 and indicates to fail to reject Ho. So there can be no influence of capital structure to the corporate value for three years of observation 2015-2017. This result does not support the research of Johan Halim (2005) which says that the capital structure has a significant negative relationship to the corporate value. It is different from the research of Chang et al (2010) which mentions there is a positive influence between the capital structure and the corporate value.

Table 3 also proves that the T-statistics value for the fifth hypothesis between the capital structure and liquidity is 9,037 above 1,950 with a P-value of 0.0000 < 0.05. This means that the loading is significant at the P of < 0.05 and indicates to reject Ho. So there can be no influence of capital structure against the liquidity of the corporate for three years of observation of 2015-2017. The findings did not support the findings of Kanzah & Akmadania that there was a negative influence between the capital structure and the cashflow ratio.

In the table above, the results of the sixth hypothesis test between the liquidity and corporate value proved that the T-statistics value is 0343 under 1,950 with P-value 0732 > 0.05. This means its loading is not significant at p > 0.05 and indicates to fail to reject Ho. So there can be no influence of liquidity to the corporate value for three years of observation 2015-2017. In context, these findings were consistent and supported the findings of Tan et al. (2007) and Chen et al. (2005), and partially supported Firer and Williams ' (2003) research findings. However, when viewing the weight and significance values of each indicator, the findings of this study were relatively inconsistent with the findings of Tan et al. (2007) and Chen et al. (2005).

Table 3 shows that the seventh hypothesis between financial performance and corporate value has a T-statistics value of 0928 under 1,950 with P-value 0354 > 0.05. This means its loading is insignificant at p > 0.05 and indicates to fail to reject Ho. So there can be no influence of financial performance on the corporate value for three years of observation of 2015-2017. In this context, these findings were consistent and supported the findings of Tan et al. (2007) and Chen et al. (2005), and partially supported Firer and Williams ' findings (2003). However, when viewing the weight and significance values of each indicator, the findings of this study were relatively inconsistent with the findings of Tan et al. (2007) and Chen et al. (2005).

**DISCUSSIONS**

In the study found that Sukuk did not have a significant influence on the corporate financial performance. The results of this study similar with the research results by Hasanah (2018) which also found that Sukuk did not have a significant influence on the corporate financial performance. There was also some earlier study which also found the same results as this study like Hanim Hasni et al (2017) that also found that the publication of sukuk in public companies had no significant negative influence on ROA, Then there was research by Malik and Sutarti (2015), found that sukuk negatively affect the profitability of the corporate. By looking at some of researches, it can be seen that there are insignificant and negative influences sukuk funding on corporate to the corporate financial performance. The statistical test in this study showed that the influence of sukuk funding was positive but not significant on financial performance.

This research also found that the capital structure has a positive effect on financial performance, its means that the corporation operational management can manage the corporate funds to gain benefit, so that Why the Sukuk funding portion has no effect on financial performance.

Sukuk funding portions do not contribute to profit significantly. Return on Equity and Return on Assets are affected insignificantly, these results indicate that the ratio of profit to Equity and Asset is very small. The dominant cause is the nominal value sukuk that issued are small compared to the value of corporate assets. For example, one of the companies that entered in this research is PLN which has assets worth of IDR 1.334.957.657 million or IDR 1.334 trillion in 2017 (financial statement PT. PLN 2017). In 2017 the cumulative value of PLN's sukuk emissions was 29.5 trillion or 2.19%. So the profit that can be generated from the sukuk is smaller than 2.19%. Thus, it is necessary to open up the challenge to enlarge sukuk funding in order to provide greater benefits that can be generated from sukuk issuance.

In the results of this study also conclude that the capital structure has a significant influence on the financial performance in the corporate that publishes Sukuk in Indonesia. In research it is also found that the influence of the capital structure to financial performance is a very strong positive influence. These results are contrary to the results of some previous researchers such as Suardi and Noor (2015) who found that the capital structure had a negative influence on financial performance, similar results were also found by Nassar (2018) that there is a negative influence of capital structure to financial performance. On the different side, there are also some researches that have results similar to this research, such as research results from Haraibeh (2015) which found that the capital structure has a positive influence on financial performance.

The positive effect of capital structure on financial performance is good news. This results indicates that the corporate which issuing sukuk has a good ability to manage and use their funds or capital optimally. As already mentioned in the beginning that the capital structure is comparisons between the corporate debts with capital owned or in different ratios that are between debt to total assets. In the studies that showing negative influence is a logical outcome theoretically, because when the ratio between debt to capital or total asset is greater, this will indicate the burden of companies that will be greater and The corporate performance will be decreasing. Nevertheless, in this study showed positive results, this means that the management of the corporate has an excellent ability to manage the corporate debts so that it can be utilized optimally, so that which should The debt became the burden of being the corporate performance drivers from its financial side.

Furthermore, in research on the capital structure is also found that the capital structure has an insignificant influence on the value of the corporate. The results of this study contradict the earlier discoveries such as, Hamidy et al (2013) that found the capital structure has a significant influence on the corporate value, other studies contrary with this results are Research conducted by Chen et al (2010), found there is a significant influence of capital structure to the corporate value. On the other hand, Chaudary (2012) has similar research results with the results of this research that found significant influence of capital structure to the corporate value but nevertheless there remains a positive influence of capital structure on corporate value despite such influence is a weak influence.

This insignificant effect can be influenced by several factors. But one of the main factors that can be a significant cause of the influence of the capital structure to the value of this corporate is due to the lack of popularity of the management or directors of the corporate in the eyes of the investors. So that any change in the capital structure implemented by the management of the corporate will only bring up scepticism in the minds of investors. In addition there are other factors that will essentially be considered by an investor in looking at the value of the corporate.

In this study also found that the capital structure has a strong significant influence on the liquidity of the corporate that issued sukuk in Indonesia. This influence is a positive influence. The results of this research are not surprising results, this is due to the value of capital structure is a value that indicates the composition of the incoming funds flow which can be in the form of capital and debt, so the higher the capital structure will be increasingly The higher the liquidity rate of the corporate.

In this study found that the corporate liquidity was used in this research which is the corporate that published Sukuk in the last 3 years has not had a significant influence on the value of the corporate. The results of this research are similar to the research results of some previous researchers such as putri et al (2015) who found that liquidity has no significant influence on the value of consumption companies in Indonesia. In different research in the telecommunications corporate by the putri and Ukhriyawati (2015) also found that liquidity has no significant influence on the corporate value in Indonesia. However, in another study by Lubis et al (2015) who researched the banking in Indonesia found different results that liquidity has a significant influence on the corporate value.

Wang et al (2013) has anticipated the outcome of this study that is about the insignificance of the liquidity ratio to the corporate value where Wang et al (2013) stated that there is an influence corporate liquidity to the corporate value. But this can happen differently when these influences occur in developing countries, where in developing countries the corporate liquidity will have a lesser influence on the corporate value can even achieve Conditions where such influence becomes insignificant. The high Current Ratio can also be considered as an indicator that the corporate management is not utilizing the existing liquid funds effectively, that why there is lack of corporate value relatively.

This study also found that financial performance did not significantly affect the corporate value. The results of this research does not conform to the prevailing theory logic, where the performance of the corporate should reflect the value of the corporate. The results of this research is also not compatible with the results of previous research such as Dewi (2015) who examined the influence of corporate performance to the corporate value that listed in the Jakarta Islamic Index found that the corporate performance has A significant and positive impact on the corporate value. Financial performance does not affect the value of the corporate can occur in small companies or companies that are developing, it is due to the profits of companies acquired used for investment, not directly divided to Shareholders.

**CONCLUSION**

This research aims to obtain information about the influence of sukuk funding and capital structure on the corporate financial performance, liquidity and corporate value. Based on the results of analysis and discussion, it can be concluded Sukuk funding has no significant effect on the financial performance represented by the Return on Asset and Return on Equity indicators. The nominal value of the issuance of sukuk is relatively small compared to the size of the corporate assets, causing the influence of sukuk funding to Return on Assets is small and insignificant. From the research, it is also known that sukuk financing negatively affects the corporate value represented by the Return stock indicator.

The corporate capital structure has a positive and significant effect on the financial performance of corporate that publishes Sukuk. The positive effect of capital structure on financial performance is a good condition. It shows that sukuk corporate have a good ability to manage and use their capital optimally. It was also found that the capital structure does not affect the corporate value. One of the factors that caused the influence of capital structure to the corporate value is due to lack of popularity of the corporate management in the investors views. So any change of the capital structure implemented by management has no effect on the investors valuation. The capital structure affects liquidity of the corporate that publishes Sukuk significantly. This result is not a surprising result, because the capital structure is a composition of capital and debt, so the higher the capital structure of the corporate then the corporate liquidity will be higher.

This research found that the corporate liquidity has no significant influence on the value corporate. This illustrates that the high Current Ratio can be regarded as an indicator that the management of the corporate is ineffective in utilizing the existing liquid funds, so that the valuation of the corporate decreases. The corporate financial performance in this study is known to be positively influenced by the capital structure, but on the other hand the results of this research show that financial performance is not influenced by sukuk funding. It was also found that financial performance did not significantly affect the value of the corporate. The results of this research do not conform to the logic of the theory, that supposedly good corporate performance will raise the value of the corporate. Whilst, the financial performance of the corporate value in these researched companies can be made possible due to the effect of the Symphatetic sukuk funding.

## POLICY IMPLICATION

Based on the findings of this study there are some managerial implications to be noted that are,

1. Sukuk funding management. In the results of this research, it is seen that the sukuk has not been able to be managed properly so as to contribute significantly to the performance of a corporate. This results should be considered because as one source of alternative funding should sukuk able to give a positive influence on a corporate. The efforts that can be done to improve sukuk utilization is to enlarge the nominal value of the issuance of sukuk. Sukuk issuance can be published in Malaysia Capital Market, with high Demand and the stock market sukuk between Indonesia and Malaysia is closely correlated.

2. Another thing that needs to be considerate in this research is about the value. Where, in this study it was found there is no financial variables were able to influence the corporate value that issued sukuk significantly. This is a problem because sukuk besides as funding source instrument for the corporate is also basically one of the investment instruments for investors. If the corporate value of sukuk issuer is not good then the investors will also be hesitant to invest in this sukuk instrument.

3. For investors in investing in capital market especially sukuk and bonds, it is fitting that in investing not only nail on the profit only, especially for Muslim investors. Because it is essentially an investment in Islam is not only seeking profit but as a form of religious Menajaga (Hifdz al Diin), keep the Soul (Hifdz al Nafs) and keep the treasure (Hifdz al Maal) to minimize the possibility of the future going on.

4. For the Government is advised to continue to provide opportunities and convenience to issuers or investors in issuing and investing sukuk. This can be realized with the full support from the Government whether the support related to regulation, as well as support such as socialize to the corporation about Sukuk so that in the future is expected not only local investors Interested to glance sukuk but foreign investors also participated, and supported the publication of corporate sukuk to foreign countries such as the capital market Malaysia which high enough for the growth of corporate sukuk in Indonesia.

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